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January 14, 2011

VIA ELECTRONIC FILING AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. UG 170 (4)

Enclosed for filing in Docket UG 170(4) are an original and five copies of the Stipulation between Commission Staff, Northwest Natural Gas Company, Northwest Industrial Gas Users, and the Citizens' Utility Board of Oregon. A copy of this filing has been served on all parties to this proceeding as indicated on the enclosed service list.

Very truly yours,


Wendy McIndoo

Enclosure

cc: Service List

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document in
3 Docket UG 170 on the following named person(s) on the date indicated below by email and
4 first-class mail addressed to said person(s) at his or her last-known address(es) indicated
5 below.

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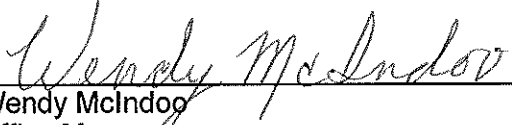
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DATED: January 14, 2011



Wendy McIndoo
Office Manager

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UG 170(4)**

4 In the Matter of:

5 **NORTHWEST NATURAL**

6 Filing of tariffs establishing automatic
7 adjustment clauses under the terms of
8 SB 408

STIPULATION

9 This Stipulation resolves all issues among the parties to this Stipulation related to
10 Northwest Natural's 2009 Tax Report, filed in UG 170(4) pursuant to Senate Bill 408 ("SB
11 408"). SB 408 is codified in ORS 757.267, 757.268 and 757.210 and implemented by the
12 Commission in OAR 860-022-0041.

13 **I. PARTIES**

14 The parties to this Stipulation are Staff of the Public Utility Commission of Oregon
15 ("Staff"), Northwest Natural ("NW Natural" or the "Company"), the Citizens' Utility Board of
16 Oregon ("CUB") and the Northwest Industrial Gas Users ("NWIGU") (together, the "Parties").

17 **II. INTRODUCTION**

18 SB 408 requires certain Oregon public utilities to file an annual Tax Report with the
19 Public Utility Commission of Oregon ("Commission") that provides information on: (1) the
20 amount of taxes paid by the utility to units of government or that was paid by an affiliated
21 group and that is properly attributed to the utility's regulated operations; and (2) the amount of
22 taxes authorized to be collected in rates. ORS 757.268(1). The law requires the Commission
23 to review the Tax Report to determine whether the amount of taxes paid differs from the
24 amount of taxes authorized to be collected in rates by more than \$100,000. ORS 757.268(4);
25 ORS 757.268(13)(f); OAR 860-022-0041(2)(q) & (r). If so, the Commission must require the
26 public utility to establish an automatic adjustment clause ("AAC") to account for the difference.

1 ORS 757.268(4). The Commission must complete its review of the Tax Report and order an
2 AAC if necessary within 180 days after the Tax Report is filed. Any rate adjustment must be
3 calculated to amortize the difference determined by the Commission over a period authorized
4 by the Commission. ORS 757.268(4); OAR 860-022-0041(7) & (8).

5 A. As required by SB 408, on October 15, 2010, NW Natural filed its Tax Report for
6 calendar year 2009 ("2009 Tax Report"). NW Natural's 2009 Tax Report reflected a difference
7 of approximately \$ 5.1 million of state and federal taxes paid above taxes authorized to be
8 collected in rates. Additionally, NW Natural reported that it collected approximately \$371,000
9 more in local taxes in rates than it paid to units of government. Under SB 408, these
10 differences, plus interest, are to be collected/refunded as a surcharge/credit through an AAC.
11 ORS 757.268(6) and OAR 860-022-0041(8)(c). NW Natural proposed to recover the 2009 SB
12 408 state and federal tax surcharge of \$6.1 million¹, through Schedule 161. The Commission
13 has discretion to set the amortization period for a refund or surcharge under the AAC. OAR
14 860-022-0041(8)(e).

15 B. The proposed surcharge was allocated by customer rate schedule on an equal
16 percentage of margin basis, as required by OAR 860-022-0041(8)(d).

17 C. The Commission held a prehearing conference on November 1, 2010, at which
18 Administrative Law Judge Wallace adopted a full procedural schedule for this docket,
19 including testimony, a hearing, and briefing. Staff convened a workshop on November 4,
20 2010. The meetings were noticed to all parties of the docket, and Staff, NW Natural, CUB,
21 and NWIGU participated in the settlement conferences. As a result of the settlement
22 conferences the Parties have reached a comprehensive settlement in this case.

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26 ¹ Includes interest of \$900,000 through May 31, 2011 and approximately \$65,500 through the
amortization period.

1 III. SPECIFIC TERMS

2 A. NW Natural has filed a revised 2009 Tax Report ("Revised Tax Report")
3 to adjust for the factors described in Staff's issue list, which is attached as Exhibit A. The only
4 revision to NW Natural's state and federal taxes was the correction of an error in the Staff
5 Template related to a clerical error in reporting of the tax liability. There were no revisions to
6 NW Natural's 2009 refund for local taxes. The Parties agree that the 2009 Tax Report
7 complies with SB 408 and OAR 860-022-0041. The Parties agree that the 2009 SB 408 tax
8 surcharge amount for state and federal taxes should be \$5.1 million and a refund of
9 approximately \$371,000 for local taxes. Following is a summary of NW Natural's forecast of
10 interest through the deferral and amortization periods, which will also be reflected in the tax
11 surcharge amount:

12 Table 1
13 Amortization Summary
14 NWN 2009 Tax Report

	<u>State / Federal</u>	<u>Local</u>
15 Surcharge (Refund)	\$ 5,126,523	(\$ 370,916)
16 Estimated interest through May 2011	\$ 874,078	(\$ 63,242)
17 Estimated interest June 2011 – May 2012 *	<u>\$ 65,532</u>	<u>(\$ 4,741)</u>
18 Estimated amount to amortize	<u>\$ 6,066,133</u>	<u>(\$ 438,899)</u>

19 * Blended treasury rate of 2.01% calculated by NW Natural per
20 the methodology prescribed by Order No. 08-263 in Docket
21 UM 1147.

22 B. The 2009 SB 408 surcharge for state and federal taxes, will be collected over a
23 12-month period through Schedule 161 NWN's Income Tax Adjustment tariff. The Multnomah
24 County Business Income Tax refund for 2009 will be returned to applicable customers over a
25 12-month period through Schedule 161A NWN's Revision of Charges for Multnomah County
26 Income Tax (MCBIT Balancing Account). Upon approval of this Stipulation, NW Natural will

1 file an updated Schedule 161 and updated Schedule 161A with effective dates of June 1,
2 2011.

3 IV. GENERAL TERMS

4 A. The Stipulating Parties agree that the Stipulation represents a compromise of the
5 positions of the parties for the purpose of this docket. Without the written consent of all
6 parties, evidence of conduct or statements, including but not limited to term sheets or other
7 documents created solely for use in settlement conferences in this docket, are confidential
8 and not admissible in the instant or any subsequent proceeding, unless independently
9 discoverable or offered for other purposes allowed under ORS 40.190. Nothing in this
10 paragraph precludes a party from stating as a factual matter what the parties agreed to in this
11 Stipulation.

12 B. If this Stipulation is challenged by any other party to this proceeding, or any
13 other party seeks an adjustment amount that departs from the terms of this Stipulation, the
14 Stipulating Parties reserve the right to cross-examine witnesses and put in such evidence as
15 they deem appropriate to respond fully to the issues presented including the right to raise
16 issues that are incorporated in the settlement embodied in this Stipulation. Notwithstanding
17 this reservation of rights, the Stipulating Parties agree they will continue to support the
18 Commission's adoption of the terms of this Stipulation.

19 C. If the Commission rejects all or any material part of this Stipulation, or adds any
20 material condition to any final order that is not consistent with this Stipulation, each Stipulating
21 Party reserves its right, pursuant to OAR 860-001-0350(9), to present evidence and argument
22 on the record in support of the Stipulation and pursuant to OAR 860-001-0720, to seek
23 rehearing or reconsideration.

24 D. This Stipulation will be offered into the record in this proceeding as evidence
25 pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation
26 throughout this proceeding and in any appeal, provide witnesses to support the Stipulation at

1 the hearing, and recommend that the Commission issue an order implementing the terms of
2 the Stipulation.

3 E. By entering into this Stipulation, no Stipulating Party shall be deemed to have
4 approved, admitted or consented to the facts, principles, methods or theories employed by
5 any other Stipulating Party in arriving at the terms of this Stipulation. Except as provided in
6 this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this
7 Stipulation is appropriate for resolving issues in any other proceeding.

8 F. This Stipulation may be signed in any number of counterparts, each of which will
9 be deemed an original for all purposes, but all of which taken together will constitute one and
10 the same agreement.

11 STAFF OF THE PUBLIC UTILITY
12 COMMISSION OF OREGON

NORTHWEST NATURAL GAS COMPANY

13 By: Paul C. Mahon for Jason Jones

By: _____

14
15 Date: January 14, 2011

Date: _____

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1 the hearing, and recommend that the Commission issue an order implementing the terms of
2 the Stipulation.

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11 STAFF OF THE PUBLIC UTILITY
12 COMMISSION OF OREGON

NORTHWEST NATURAL GAS COMPANY

13 By: _____
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By: 

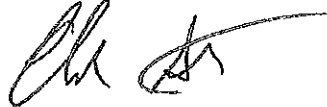
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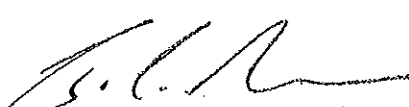
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NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

By: 

By: 

Date: 1-14-11

Date: 1-14-11